

# Bit Market Services

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## **PRESS RELEASE**

### **AEFFE: First Half 2016 Results Point Out Growth Of All Economic Indicators, Driven By The Positive Trend In All The Key Markets**

**Sales At €137.8m (+7.3% At Constant Exchange Rate), Ebitda At €12.2m (+25.0%) And Net Profit For The Group At €1.5m (compared with €35,000 In First Half 2015)**

**San Giovanni in Marignano, 28 July 2016** - The Board of Directors of Aeffe SpA approved today the Group's Report for the First Half of 2016. The company, listed on the STAR segment of Borsa Italiana, operates in the luxury sector, with a presence in the prêt-à-porter, footwear and leather goods division under renowned brand names such as Alberta Ferretti, Philosophy di Lorenzo Serafini, Moschino, Pollini, Jeremy Scott and Cédric Charlier.

- **Consolidated revenues of €137.8m, compared to €128.7m in 1H 2015 (+7.0% at current exchange rates and +7.3% at constant exchange rates)**
- **Ebitda of €12.2m (8.9% on consolidated sales), compared to €9.8m in 1H 2015 (7.6% on consolidated sales), with a €2.4m improvement (+25%)**
- **Net Profit for the Group of €1.47m, compared to €35K in 1H 2015, with a €1.43m improvement**
- **Net financial debt of €76.3m, compared to €80.5m as of December 31, 2015 with a €4.2m improvement**

### **Consolidated Revenues**

In the first half of 2016, Aeffe consolidated revenues amounted to €137.8m compared to €128.7m in 1H 2015, with a 7% increase at current exchange rates (+7.3% at constant exchange rates).

Revenues of the *prêt-à-porter* division amounted to €106.9m, up by 7.8% at constant exchange rates compared to 1H 2015 (+7.5% at current exchange rates).

Revenues of the footwear and leather goods division decreased by 2.6% and amounted to Euro 44.8m.

Massimo Ferretti, Executive Chairman of Aeffe SpA, has commented: *"We are very satisfied with the Group's positive performance, both in terms of revenues and profitability, as well as with the growth in all the key markets, especially given the continuing geopolitical uncertainty. The slowdown in tourism is currently impacting the retail channel, particularly in Europe, but is more than offset by the continued expansion in geographical areas, such as Greater China and United States. The current global context presents many challenges that we are ready to face implementing strategies focused on the distinctiveness of our brands and on the market's evolution."*

## Revenues Breakdown by Region

| <i>(In thousands of Euro)</i>      | <b>1H 16</b>    | <b>1H 15</b>    | <b>%</b>      | <b>%</b>       |
|------------------------------------|-----------------|-----------------|---------------|----------------|
|                                    | <b>Reported</b> | <b>Reported</b> | <b>Change</b> | <b>Change*</b> |
| Italy                              | 60,568          | 57,134          | 6.0%          | 6.0%           |
| Europe (Italy and Russia excluded) | 30,161          | 28,657          | 5.2%          | 5.7%           |
| Russia                             | 4,837           | 4,666           | 3.7%          | 3.7%           |
| United States                      | 11,120          | 9,729           | 14.3%         | 14.3%          |
| Rest of the World                  | 31,096          | 28,536          | 9.0%          | 9.7%           |
| <b>Total</b>                       | <b>137,783</b>  | <b>128,723</b>  | <b>7.0%</b>   | <b>7.3%</b>    |

(\*) Calculated at constant exchange rates

In 1H 2016 sales in Italy, amounting to 44% of consolidated sales, registered a good growth posting a 6% increase to €60.5m.

At constant exchange rates, sales in Europe, contributing to 22% of consolidated sales, registered a positive trend reporting an 5.7% increase.

The Russian market, representing 3% of consolidated sales, increased by 3.7%, showing signs of moderate recovery compared to last year.

Sales in the United States, contributing to 8% of consolidated sales, posted in 1H 2016 a significant growth of 14.3% at constant exchange rates.

In the Rest of the World, the Group's sales totalled €31.1m, amounting to 23% of consolidated sales, recording an increase of 9.7% compared to 1H 2015, especially thanks to the good performance in Greater China, which posted a 27.7% growth.

## Revenues by distribution channel

| <i>(In thousands of Euro)</i> | <b>1H 16</b>    | <b>1H 15</b>    | <b>%</b>      | <b>%</b>       |
|-------------------------------|-----------------|-----------------|---------------|----------------|
|                               | <b>Reported</b> | <b>Reported</b> | <b>Change</b> | <b>Change*</b> |
| Wholesale                     | 99,188          | 86,468          | 14.7%         | 14.8%          |
| Retail                        | 33,929          | 38,225          | (11.2%)       | (10.5%)        |
| Royalties                     | 4,665           | 4,030           | 15.8%         | 15.8%          |
| <b>Total</b>                  | <b>137,783</b>  | <b>128,723</b>  | <b>7.0%</b>   | <b>7.3%</b>    |

(\*) Calculated at constant exchange rates

By distribution channel, in 1H 2016, wholesale sales grew by 14.8% at constant exchange rates (+14.7% at current exchange rates), contributing to 72% of consolidated sales.

The sales of our directly-operated stores (DOS), representing 25% of consolidated sales, decreased by 10.5% at constant exchange rates (-11.2% at current exchange rates), with direct negative impact on Group's operating marginality. The change is substantially related to lower tourists' flows across the main European cities.

Royalty incomes, representing 3% of consolidated sales, significantly recovered compared to 1H 2015 recording a 15.8% increase.

## Network of Monobrand Stores

| <b>DOS</b>    | <b>1H 16</b> | <b>FY 15</b> | <b>Franchising</b> | <b>1H 16</b> | <b>FY 15</b> |
|---------------|--------------|--------------|--------------------|--------------|--------------|
| Europe        | 45           | 47           | Europe             | 48           | 45           |
| United States | 3            | 3            | United States      | 3            | 3            |
| Asia          | 15           | 11           | Asia               | 136          | 137          |
| <b>Total</b>  | <b>63</b>    | <b>61</b>    | <b>Total</b>       | <b>187</b>   | <b>185</b>   |

## Operating and Net Result Analysis

In 1H 2016 the Group posted a good improvement in margins; consolidated Ebitda was equal to €12.2m (with an incidence of 8.9% of consolidated sales), compared to €9.8m in 1H 2015 (7.6% of total sales), with a €2.4m increase (+25%). The improvement in profitability was mainly driven by sales growth of the *prêt-à-porter* division.

Ebitda of the *prêt-à-porter* division amounted to €8.5m (representing 8.0% of sales), compared to €5.5m in 1H 2015 (5.7% of sales); the €3m increase is mainly driven by sales growth.

Ebitda of the footwear and leather goods division amounted to €3.7m (8.2% of sales) compared to a €4.2m in 1H 2015 (9.2% of sales), with a €0.5m decrease, mainly attributable to decline in revenues.

Consolidated Ebit was equal to €6.1m, compared to €3.4m in 1H 2015, with a €2.7m increase (+79%).

Thanks to improvement in operating profit and to decrease in financial expenses, in 1H 2016 Profit before taxes amounted to €4.8m compared with Profit before taxes of €1.7m in 1H 2015, with a €3.1m increase. Net result of the Group was equal to €1.47m, compared to the Net Profit for the Group of €35K in 1H 2015, with a €1.43m improvement.

## Balance Sheet Analysis

Looking at the balance sheet as of June 30, 2016, Shareholders' equity is equal to €132.4m and net financial debt amounts to €76.3m compared to €80.5m at the end of 2015. The financial debt decrease compared to 1H 2015 mainly refers to cash flow increase.

As of June 30, 2016 operating net working capital amounts to €75.9m (27.3% of LTM sales) compared to €80.1m as of June 30, 2015 (30.9% of LTM sales).

The reduction of incidence on sales is mainly related to the positive trend of trade receivables and payables in the first half of 2016.

Income Statement, Reclassified Balance Sheet and Cash Flow Statement are attached below.

1H 2016 data included in this press release were subject to limited review by the Auditors' company.

Please note that the Financial Report and the Results Presentation at 30 June 2016 are available at the following link: <http://www.aeffe.com/aeffeHome.php?pattern=11&lang=ita>.

"The executive responsible for preparing the company's accounting documentation Marcello Tassinari declares pursuant to paragraph 2 of art. 154 bis of the Consolidate Financial Law, that the accounting information contained in this document agrees with the underlying documentation, records and accounting entries".

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(In thousands of Euro)

|  | <b>1H 16</b>   | <b>%</b>      | <b>1H 15</b>   | <b>%</b>      | <b>Change</b> | <b>Change %</b> |
|--|----------------|---------------|----------------|---------------|---------------|-----------------|
| <b>Revenues from sales and services</b>      | <b>137,783</b> | <b>100.0%</b> | <b>128,723</b> | <b>100.0%</b> | <b>9,060</b>  | <b>7.0%</b>     |
| Other revenues and income                    | 5,787          | 4.2%          | 3,287          | 2.6%          | 2,500         | 76.1%           |
| <b>Total Revenues</b>                        | <b>143,569</b> | <b>104.2%</b> | <b>132,009</b> | <b>102.6%</b> | <b>11,560</b> | <b>8.8%</b>     |
| Total operating costs                        | (131,343)      | (95.3%)       | (122,245)      | (95.0%)       | (9,098)       | 7.4%            |
| <b>EBITDA</b>                                | <b>12,226</b>  | <b>8.9%</b>   | <b>9,764</b>   | <b>7.6%</b>   | <b>2,462</b>  | <b>25.2%</b>    |
| Total Amortization and Write-downs           | (6,077)        | (4.4%)        | (6,337)        | (4.9%)        | 261           | (4.1%)          |
| <b>EBIT</b>                                  | <b>6,149</b>   | <b>4.5%</b>   | <b>3,426</b>   | <b>2.7%</b>   | <b>2,723</b>  | <b>79.5%</b>    |
| Total Financial Income /(expenses)           | (1,375)        | (1.0%)        | (1,742)        | (1.4%)        | 366           | (21.0%)         |
| <b>Profit before taxes</b>                   | <b>4,774</b>   | <b>3.5%</b>   | <b>1,685</b>   | <b>1.3%</b>   | <b>3,089</b>  | <b>183.4%</b>   |
| Taxes  | (2,949)        | (2.1%)        | (1,586)        | (1.2%)        | (1,363)       | 86.0%           |
| <b>Net Profit</b>                            | <b>1,824</b>   | <b>1.3%</b>   | <b>99</b>      | <b>0.1%</b>   | <b>1,726</b>  | <b>1,745.7%</b> |
| Profit attributable to minority shareholders | (355)          | (0.3%)        | (64)           | (0.0%)        | (291)         | 453.8%          |
| <b>Net Profit for the Group</b>              | <b>1,469</b>   | <b>1.1%</b>   | <b>35</b>      | <b>0.0%</b>   | <b>1,434</b>  | <b>4,138.4%</b> |

(In thousands of Euro)

|  | 1H 16          | FY 15          | 1H 15          |
|--|----------------|----------------|----------------|
| Trade receivables  | 37,785         | 38,256         | 38,184         |
| Stock and inventories                                      | 88,920         | 89,988         | 93,887         |
| Trade payables   | (50,762)       | (61,429)       | (51,917)       |
| <b>Operating net working capital</b>                       | <b>75,944</b>  | <b>66,816</b>  | <b>80,154</b>  |
| Other receivables  | 32,222         | 33,484         | 37,616         |
| Other liabilities  | (23,701)       | (17,979)       | (19,856)       |
| <b>Net working capital</b>                                 | <b>84,464</b>  | <b>82,321</b>  | <b>97,914</b>  |
| Tangible fixed assets                                      | 62,080         | 63,261         | 64,051         |
| Intangible fixed assets                                    | 117,713        | 122,821        | 125,624        |
| Investments  | 132            | 132            | 132            |
| Other long term receivables                                | 3,802          | 4,265          | 4,510          |
| <b>Fixed assets</b>  | <b>183,727</b> | <b>190,478</b> | <b>194,317</b> |
| Post employment benefits                                   | (6,469)        | (6,552)        | (7,001)        |
| Long term provisions                                       | (950)          | (1,069)        | (968)          |
| Assets available for sale                                  | 437            | 437            | 437            |
| Liabilities available for sale                             |                |                |                |
| Other long term liabilities                                | (285)          | (14,330)       | (14,511)       |
| Deferred tax assets  | 11,412         | 11,089         | 12,681         |
| Deferred tax liabilities                                   | (31,308)       | (32,208)       | (36,666)       |
| <b>NET CAPITAL INVESTED</b>                                | <b>241,028</b> | <b>230,167</b> | <b>246,202</b> |
| Capital issued   | 25,371         | 25,371         | 25,371         |
| Other reserves   | 114,468        | 114,337        | 114,087        |
| Profits/(Losses) carried-forward                           | (8,883)        | (9,486)        | (9,406)        |
| Profit/(Loss) for the period                               | 1,469          | 1,522          | 35             |
| <b>Group share capital and reserves</b>                    | <b>132,426</b> | <b>131,744</b> | <b>130,087</b> |
| Minority interests   | 32,285         | 17,884         | 17,979         |
| <b>Shareholders' equity</b>                                | <b>164,710</b> | <b>149,628</b> | <b>148,066</b> |
| Short term financial receivables                           | (2,236)        | (1,816)        | (2,216)        |
| Liquid assets  | (10,820)       | (9,993)        | (7,963)        |
| Long term financial payables                               | 21,010         | 18,394         | 17,699         |
| Long term financial receivables                            | (3,232)        | (2,031)        | (1,949)        |
| Short term financial payables                              | 71,596         | 75,985         | 92,565         |
| <b>NET FINANCIAL POSITION</b>                              | <b>76,317</b>  | <b>80,539</b>  | <b>98,136</b>  |
| <b>SHAREHOLDERS' EQUITY AND NET FINANCIAL INDEBTEDNESS</b> | <b>241,028</b> | <b>230,167</b> | <b>246,202</b> |

| <i>(In thousands of Euro)</i>   | <b>1H 16</b>    | <b>FY 15</b>    | <b>1H 15</b>    |
|---|-----------------|-----------------|-----------------|
| <b>OPENING BALANCE</b>  | <b>9,993</b>    | <b>6,692</b>    | <b>6,692</b>    |
| Profit before taxes   | 4,774           | 2,853           | 1,685           |
| Amortizations, provisions and depreciations                                 | 5,992           | 13,459          | 6,237           |
| Accruals (availments) of long term provisions and post employment benefits  | ( 202)          | ( 1,885)        | ( 1,535)        |
| Taxes   | ( 2,294)        | ( 3,596)        | ( 1,437)        |
| Financial incomes and financial charges                                     | 1,375           | 3,031           | 1,742           |
| Change in operating assets and liabilities                                  | ( 18,066)       | ( 1,097)        | ( 15,440)       |
| <b>NET CASH FLOW FROM OPERATING ASSETS</b>                                  | <b>( 8,421)</b> | <b>12,765</b>   | <b>( 8,748)</b> |
| Increase (decrease) in intangible fixed assets                              | 1,661           | ( 2,047)        | ( 1,273)        |
| Increase (decrease) in tangible fixed assets                                | ( 1,365)        | ( 4,992)        | ( 2,942)        |
| Investments and Write-downs (-)/Disinvestments and Revaluations (+)         |                 | ( 51)           | ( 51)           |
| <b>CASH FLOW GENERATED (ABSORBED) BY INVESTING ACTIVITIES</b>               | <b>296</b>      | <b>( 7,090)</b> | <b>( 4,266)</b> |
| Other changes in reserves and profit carried-forward to shareholders'equity | 13,258          | ( 52)           | ( 5)            |
| Proceeds (repayment) of financial payments                                  | ( 1,772)        | 1,402           | 17,288          |
| Increase (decrease) financial receivables                                   | ( 1,158)        | ( 693)          | ( 1,256)        |
| Financial incomes and financial charges                                     | ( 1,376)        | ( 3,031)        | ( 1,742)        |
| <b>CASH FLOW GENERATED (ABSORBED) BY FINANCING ACTIVITIES</b>               | <b>8,952</b>    | <b>( 2,374)</b> | <b>14,285</b>   |
| <b>CLOSING BALANCE</b>  | <b>10,820</b>   | <b>9,993</b>    | <b>7,963</b>    |

Fine Comunicato n.0923-18

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